

Key questions and answers from Strategy Briefing Initiatives in new fields in the Medium-Term Management Plan (FY24-28)  
(held on December 13, 2024)

1. What is the size of each blood SCM\* business negotiation and the focused region?

- The size of each negotiation is in the tens to hundreds of million yen in sales for public blood institutions. For blood banks operated by hospitals, that is in the millions to tens of million yen.
- The number of business negotiations has been increasing rapidly recently due to the expansion of traceability demand and our allocation of resources. We intend to expand sales to 1 billion yen by closing these 14 deals by FY26.
- Demand is growing globally, but we will first focus on Europe and Asia. In both regions, we have been able to hire ample talent with expertise in the manufacturing process and distribution channels of blood products, and we are using this knowledge to explore business with blood institutions and other organizations in each country. SATO is aiming to expand sales while investing resources in the large markets of the Americas and Japan.

\* SCM: supply chain management

2. What is the background behind the increase in adoption of PJM RFID at hospital blood banks?

- There are three points.
- First, there was initially no linkage between SATO's solutions, and the systems used in hospitals and other institutions (laboratory information management systems and blood product management systems). Last year, a software development kit was provided to a specialized software development company. This facilitated cooperation between the two.
- Second, technological improvements have made it less expensive to install PJM RFID readers in refrigerators and freezers. Channel sales through the sales network of a refrigerator and freezer manufacturing vendor made it possible to approach hospital blood banks.
- The third point is the feedback from the operational site of our customers. One customer realized the time and cost savings of using PJM RFID, and originally had one refrigerator equipped with PJM RFID, but now all refrigerators in the blood bank are equipped with PJM RFID.

3. Who are your peers in blood SCM?

- We understand that no company can offer comprehensive automatic identification solutions on a global basis consisting of printers, consumables, maintenance support and software as we do.
- In each country/region, there is competition with system integrators; they can provide system-centric services, but it is difficult for them to provide a solution combining hardware, software, etc. For example, in RFID solutions, customers require comprehensive solutions that include printers and other hardware, so it is difficult to meet customer demands if only system-centric offerings are made.

4. What are SATO's strengths in AI (Artificial Intelligence) image recognition in new fields?

- AI image recognition is one of the automatic identification technologies, which SATO specializes in, to acquire information detecting objects and humans.
- Our strength lies in our ability to combine this technology with printers and consumables to provide tailored solutions.

5. What is the breakdown of 40 billion yen in sales in new fields?

- At present, we are targeting sales of 10 billion yen in each of the four new fields of healthcare, new markets, logistics digital transformation, and AI solutions.
- In setting these sales targets, the blood SCM for example analyzed the number of blood bags, hospitals, operating rooms, and blood refrigerators in each country.
- Although we see greater potential in each area long term, our target for MTMP (FY24-28) is 40 billion yen in sales in the new fields. We see abundant business opportunities, and this is an area with growth potential beyond FY28.
- One of the unique features of our business is the recurring consumables. Once a business deal is won, sales are not temporary, but continuous with constant stream of income. In the blood SCM and reverse logistics, there are few companies that can provide comprehensive solutions, and if other companies take more time than expected to enter the market, we can aim for a higher sales target.

6. How would you cultivate new customers for reverse logistics?

- By creating new contacts through liaison activities with Circular Partners and other councils established by the Ministry of Economy, Trade and Industry as a partnership for industry-academia-government collaboration.
- With regard to circular economy initiatives, major manufacturers and retailers themselves are increasingly operating collection and recycling processes through recycling companies or their own group companies to achieve resource recycling, and the scope of their business is expanding. In that sense, we believe that SATO's vast customer base with its market coverage will be very effective. We are exploring new businesses based on this rich customer base.

7. What are some examples of solutions and products in reverse logistics?

- We can provide a complete set of printers, consumables, maintenance service, software and scanners.
- As an example of where products are used, software is often used to measure weight of waste in each process and is necessary for data linkage with each measuring instrument manufacturer. Also, printers and consumables for tagging at each process is required.
- We aim to achieve traceability by visualizing processes, improving inventory control and managing shipments with solutions combining these products optimized for each site.